

Message Text

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41

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00 TAR-01

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 PA-02

PRS-01 USIA-15 /100 W

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FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 9273

INFO AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION GENEVA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

UNCLAS HELSINKI 2281

E.O. 11652: N/A

TAGS: ECON, FI

SUBJECT: FINNISH AUTO SURTAX

REF: HELSINKI 2275

1. GOF IMPOSED LATE FRIDAY EVENING (OCT 18) TEMPORARY SURTAX ON AUTOS AND MOTORCYCLES EQUALING A MAXIMUM OF 30 PERCENT (REFTEL). SURTAX WILL BE GRADUALLY LOWERED UNTIL END OF 1976. OBJECTIVE OF SURTAX IS TO RESTRICT IMPORTS OF AUTOS IN ORDER TO DECREASE EXPANSION OF TRADE DEFICIT. PRICES OF DOMESTICALLY-PRODUCED AUTOS (SAAB-VALMET) WILL BE INCREASED AT SAME RATE AS IMPORTED AUTOS.

2. ACCORDING TO BILL, AUTO TAX WILL BE RAISED BY 30 PERCENT UNTIL END OF 1975. FROM JAN 1, 1976 TO JULY 31, 1976 AUTO SURTAX WILL BE 20 PERCENT. AUGUST 1 SURTAX WILL BE REDUCED TO 10 PERCENT FOR LAST FIVE MONTHS OF 1976. WHILE
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PARLIAMENT CONSIDERS AUTO SURTAX BILL, SPECIAL FEE, EFFECTIVE

OCTOBER 18 AND EQUALING 50 PERCENT OF AUTO TAX, WAS IMPOSED TO DISCOURAGE AUTO IMPORTS DURING INTERIM PERIOD. SURTAX AND SPECIAL FEE COVER ALL AUTOS AND MOTORCYCLES WHICH HAVE NOT YET BEEN CLEARED THROUGH CUSTOMS. GOVERNMENT OFFICIAL ESTIMATES 5,000 AUTOS CURRENTLY IN FREE-PORT ZONES. AUTOS WHICH ARE ALREADY ON DEALER'S LOTS ARE SUBJECT TO NEITHER SPECIAL FEE NOR SURTAX. DEALERS' AUTO INVENTORIES ARE SLIGHTLY LARGER THAN ONE MONTH'S SALES BEFORE SURTAX (ABOUT 10,000 AUTOS).

3. GOF HAS NOT MADE PRECISE CALCULATIONS ON IMPACT OF HIGHER AUTO TAX. PRESS REPORTS PRICE OF SMALL FIAT COSTING US\$ 4,000 - 4,500 WILL GO UP BY ABOUT US\$ 600. DODGE DART FORMERLY PRICED AT ABOUT US \$13,000 WILL NOW INCREASE BY ABOUT US \$1,800. UNTIL OCT 18 AUTO TAX HAS BEEN 45 PERCENT OF TAXABLE VALUE OF AUTO (CIF PRICE PLUS DUTY) LESS FMK 2,500 (\$641).

4. AS SOON AS AUTO SURTAX BILL IS PASSED BY PARLIAMENT, ALL CAR IMPORTS WILL BE FREED FROM IMPORT LICENSING. (AUTO IMPORTS FROM EAST-BLOC COUNTRIES HAVE NOT BEEN SUBJECT TO IMPORT LICENSE CONTROL.) AUTO SPARE PARTS WOULD ALSO BE FREED FROM IMPORT DEPOSIT PAYMENT.

5. SHARE OF PASSENGER CARS IN FINLAND'S TOTAL IMPORTS ABOUT 3 PERCENT (TOTAL CONSUMER GOODS ACCOUNT FOR 15 PERCENT). VALUE OF 1975 AUTO IMPORTS AT END OF AUGUST WAS 524 MILLION FMK. VALUE OF AUTO IMPORTS IN 1974 TOTALED 507 MILLION FMK. IN AUGUST PASSENGER CAR IMPORTS WERE 0.4 PERCENT LOWER THAN AUGUST 1974 WHILE IN JAN-AUG 1975 AUTO IMPORTS EXCEEDED PREVIOUS YEAR'S CORRESPONDING LEVEL BY ABOUT 60 PERCENT.

6. COMMENT: GOF AUTO SURTAX WILL NOT CAUSE MUCH IMPROVEMENT IN LARGE TRADE DEFICIT. IT IS, HOWEVER, ONE STEP BY THE INTERIM EXPERT GOVERNMENT TO SHOW THAT IT IS TRYING BOTH TO DO SOMETHING ABOUT SERIOUS TRADE DEFICIT AND TO KEEP AUTO IMPORTS FROM WESTERN COUNTRIES WITHIN GOVERNMENT DESIRED LIMIT FOR 1975 OF FMK 500 MILLION.
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